

日本におけるターゲット・コストニング学会の CAM-I (<http://www.cam-i.org/>)
調査団の米国への出張報告書

The Second Annual International Congress on Target Costing



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**Institute of
Management Accountants™**

Target Costing Best Practices Study Preliminary Results

Presented by:

**Dr. Shahid Ansari
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SECTION 4



TARGET COSTING

Best Practices Study Preliminary Results

Research Team

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Study sponsors

Consortium for Advanced Manufacturing International (CAM-I)
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TC - Best Practices Study Survey Results . . .

AGENDA

- Key Elements of The Target Cost Process
- Description of Best Practices Study
- Preliminary Results
- Major Conclusions
- Next Steps



TC - Best Practices Study Survey Results . . .

Description of Study

- Survey of adopters and non-adopters
(Primary focus 400 companies; received 115)
- Comparison with German and Japanese
Survey
- Site visits with 6 Japanese companies
- Site visits with 5 US companies



TC - Best Practices Study Survey Results . . .

A target cost is the allowable amount that can be incurred on a product and still earn the required profit from that product. It is a system of profit planning and cost management that is:

- Price Led
- Customer focused
- Design centered
- Cross-functional
- Life cycle oriented
- Value chain based



TC - Best Practices Study

Survey Results . . .

Key Principles of Target Costing Adopters v. Nonadopters

- Price-led costing — No significant difference
- Customer focus — Adopters more customer focused *big difference*
- Design driven — Adopters start costing at design *stage*
- Value chain *stage* — Adopters involve suppliers more.
- Cross-functional — Adopters involve suppliers more
- Life-cycle costing — Adopters use cross-functional teams
— No significant difference



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Survey Results . . .

Diffusion by industry

- Adopters are primarily in assembly industry
(Job shops) (68%)
- Adopters primarily in electronics,
defense/aerospace and transportation. . (59%)
- Surprisingly large number in process
industries
(30%)
- Service little as expected
(3%)



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Factors Impacting TC adoption

- Adopters face slightly higher pressure on profit margins — *perceived - not an objective external judgement*
- Adopters have higher barriers to entry (probably due to product difficulty)
- Adopters are more likely to be large companies (more than 5,000 employees)
- Both adopters and non-adopters face competitors who offer similar products



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Adopter Profile

- More sophisticated customers
- *Def of "sophisticated"* — can detect differences in functionality
— can better articulate future requirements
- Strategic focus on quality, cost and time
- Deal with more suppliers
- Higher rate of change of production technology
- Rely heavily on trained manpower
- More improvement tools in place
- Listen to employee suggestions



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Adopter profile cont...

- Cost estimation at product concept stage
- Include more value chain and life-cycle cost elements in their cost estimates
- Very low use of Value Engineering and Quality Function Deployment
- Primary focus on Design to Cost and Design for Manufacturability



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Non adoption reasons/improvement barriers

- Non-adoption
 - More pressing problems or other initiatives
 - Lack of familiarity
- Barriers to improvement
 - Missing targets is viewed negatively

→ ABM, QFD, etc . . .



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Main Impact of Target Costing

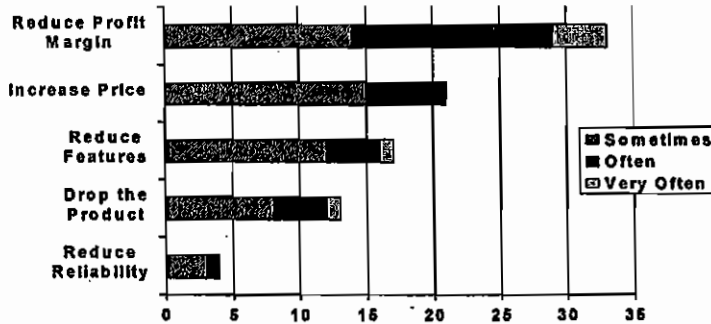
- #1 • Increased customer focus in product development
- #2 • Improved profitability
- #3 • Reduced manufacturing & purchasing costs



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Implementation Characteristics

- When targets cannot be achieved, profit margins are lowered or prices increased
- Products that do not meet targets are rarely dropped





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Major Conclusions

- TC new to US and not well understood even by adopters
 - Confused with DTC and DFM !! (point out to others that these two (along w/ VE) are processes or tools that exist w/in TC)
 - Using Cost Plus instead of Price minus
- US implementation lacks customer focus and market driven elements
- TC system lacks discipline -- when the going gets tough targets are relaxed and products are not dropped



TC - Best Practices Study Survey Results . . .

Major Conclusions cont.

- Supplier integration continues to be a major gap for most adopters → include in my presentation → this is the first step.
- Effective cross-functional teaming remains a problem
- Little attention to total system architecture in terms of supportive performance measures, rewards, training and information systems.



TC - Best Practices Study *Lessons from Japan Visit*

GENERAL OBSERVATIONS

- Adopted more widely after collapse of the “bubble economy”
- Cost reduction did not mean headcount reduction
 - One company said “we can either let half of you go or half of you can work on cost reduction to keep everyone’s job”
- TC implementation started with process “kaizen” and then moved to product design
- Carried out primarily by operations level people



TC - Best Practices Study *Lessons from Japan Visit*

TARGET SETTING ISSUES

- Targets vary by product line or family
- No subsidy of targets across products or teams
- Decomposition of target cost to provide “equal challenge” for everyone, including suppliers → important
- Targets based on process characteristics



TC - Best Practices Study Lessons from Japan Visit

MOST USED TOOLS

- Cost Analysis Codes -- the basis for time/cost studies and Kaizen
 - Cost codes allows data search by assembly method, size, functions, processes, etc. Critical to constructing cost tables and cost databases
 - Companies either use home grown cost data systems or third-party software such as Alpha Brain
- Value Engineering used to place specific value on the product functions

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TC - Best Practices Study Lessons from Japan Visit

CROSS FUNCTIONAL TEAMING

- Start with a centralized team with recognized power and authority throughout the organization
- Membership kept very stable (e.g. 7 years)
- Teams and not functions define the organization
- Members fed back out into the organization
- Designers prototype with manufacturing engineers so they don't listen exclusively to customers

↳ tracks costs well



TC - Best Practices Study *Lessons from Japan Visit*



SUPPLY CHAIN ISSUES

- Partnerships developed by replacing traditional negotiating methods, (shouting, begging, or finding new suppliers) with supplier cost modeling
- Purchasing department a good career path
- Understand how our requirements result in “over-engineering” of parts from suppliers



TC - Best Practices Study *Lessons from Japan Visit*

SUPPLY CHAIN ISSUES

- Suppliers share savings they generate from cost reductions
- Two types of talent important for purchasing:
 - People who know processes to build product
 - People who can use data to negotiate



TC - Best Practices Study Lessons from Japan Visit

RECRUITING & TRAINING

- Hire fresh faces who can be trained as cost expert
- Rotate them through the organization so they understand all processes



TC - Best Practices Study Lessons from Japan Visit

COST ISSUES

- If committed costs make target difficult to achieve, link future capital investments to achieve target costs
- Targets are optimized on lot sizes and typically take a fixed period (e.g. 3 months) to attain (No learning curve is provided)
- Train product designers to "design costs first and design products second"
- Link future capital investment decisions to need to achieve target costs



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COMMUNICATION & FEEDBACK

- Kaizen ideas prominently displayed and discussed at monthly meetings
- Kaizen ideas scored on a points system
- Temporary (cardboard or newspaper) "kanbans" used until satisfied with improvement ideas
- Designers rewarded on how many of *others' ideas* they incorporate
- Constant monitoring and reporting of Profit rate (Selling Price/Actual Cost) and Target Achievement (Target/Actual Cost)



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PERFORMANCE/REWARDS

- Achievement of actual v. target costs measured in detail for all processes/products on a monthly basis.
- Continuous feedback on progress against targets
- Discipline that target cost achievement path be developed and costs managed to maintain profit.
- Individuals suggestions awarded points and if accepted rewarded with cash bonuses
- Teams rewarded with recognition (e.g. dinner with company president)

• Designer awarded on basis of how many other's suggestions they incorporated.



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TC IMPLEMENTATION PATH

- Upper leadership makes a strong case for adoption
- Employees ownership sought/encouraged
 - Half of you work to keep jobs (APEX); “Dare to be different” (Chrysler)
- Change existing “mindset” and unleash creativity
- Start simply (with process) expand to product
 - Don’t try and eat all the noodles in the bowl at once
- Connect to rewards and performance management
- Expand technical sophistication and other systemic links
 - Cost modeling, IT support, software, databases . . .
- Strengthen links to culture (The cloud that spreads . . .)



TC - Best Practices Study *Lessons from Japan Visit*

KEY SUCCESS FACTORS

- Full top management ownership and support
- Breaking the existing mindset
 - Special task forces with “new faces” to work with suppliers
- “Stay the course” and maintain focus on targets
 - The red light on stations
 - The employee badge with target on it



TC - Best Practices Study Survey Results . . .

Major Conclusions

- Target cost relatively new to US industry
- Many do not understand the total system architecture
- Even partial implementation has yielded benefits:
 - Profits improved
 - More customer focus
 - Better team work
- Target costing well established in Japan and can yield as much as 13-17% savings per year